

Logitech

Q2 & 1H Fiscal Year 2014 Results

October 24, 2013

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws, including, without limitation, statements regarding: the turnaround of our business, profitability, profitability in certain product categories, the pace at which we respond to platform innovation and refresh our product portfolio, the timing of new product launches, changes to our product portfolio and product pricing, the strength of our product portfolio, sales execution in Germany, growth and declines in certain product categories and their effect on our sales performance, market conditions in certain regions, our cost structure, and Fiscal Year 2014 sales, operating income, and restructuring-related charges. The forward-looking statements in this presentation involve risks and uncertainties that could cause Logitech's actual results and events to differ materially from those anticipated in these forward-looking statements, including, without limitation: if our product offerings, marketing activities and investment prioritization decisions do not result in the sales, profitability or profitability growth we expect, or when we expect it; the demand of our customers and our consumers for our products and our ability to accurately forecast it; if we fail to innovate and develop new products in a timely and cost-effective manner for our new and existing product categories; if we do not successfully execute on our growth opportunities in our new product categories and sales in emerging market geographies; if sales of PC peripherals in mature markets are less than we expect; the effect of pricing, product, marketing and other initiatives by our competitors; if our products and marketing strategies fail to separate our products from competitors' products; if our restructurings fail to produce the intended performance and cost savings results; if there is a deterioration of business and economic conditions in one or more of our sales regions or operating segments, or significant fluctuations in exchange rates. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in Logitech's periodic filings with the Securities and Exchange Commission, including our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013 and our Amended Annual Report on Form 10-K/A for the fiscal year ended March 31, 2013, available at www.sec.gov, under the caption Risk Factors and elsewhere. Logitech does not undertake any obligation to update any forward-looking statements to reflect new information or events or circumstances occurring after the date of this presentation.

Use of Non-GAAP Financial Information

To facilitate comparisons to Logitech's historical results, Logitech has included non-GAAP adjusted measures which exclude share-based compensation expense, amortization of other intangible assets, restructuring charges (credits), other restructuring-related charges, investment impairment (recovery) and other items detailed under "Supplemental Financial Information" in our earnings press release or "Financial Statements only" posted to our website under "Quarterly Results" at <http://ir.logitech.com>. Historical GAAP and corresponding non-GAAP measures are provided under Financial History in the Investors section of our website. Logitech believes this information, used together with the GAAP financial information, will help investors to evaluate its current period performance and trends in its business.

Q2 and 1H FY14 Summary

Q2 & 1H Results

- Second consecutive quarter of better-than-expected sales and profit
 - Q2 sales of \$532M, down 3% YOY
 - Q2 non-GAAP operating profit of \$37M, 7% of sales
 - 1H FY14 sales of tablet accessories, gaming and wireless speakers +36% combined
- Q2 non-GAAP gross margin of 36.1% down 50bp driven by shifts in product mix; Q2 non-GAAP operating expenses of \$155M, down \$9M YOY
- 1H non-GAAP operating profit of \$49M doubled YOY

FY14 Outlook

- Sales of ~\$2B and GAAP operating income of ~\$50M including \$13M related to restructuring that was not anticipated when we first provided outlook in April 2013
- Non-GAAP operating income of ~\$100M, an increase of \$13M compared to previously expected non-GAAP operating income

1H FY14 Financial Results

(\$ in millions)

	GAAP	YOY	Non-GAAP	YOY
Net sales	1,010	-1.0%	1,010	-1.0%
Gross profit	352	3.1%	363	2.8%
<i>% of net sales</i>	<i>34.8%</i>	<i>+120bp</i>	<i>36.0%</i>	<i>+120bp</i>
Operating expenses	335	-10.9%	314	-4.2%
<i>% of net sales</i>	<i>33.1%</i>	<i>-390bp</i>	<i>31.1%</i>	<i>-120bp</i>
Operating income	17	n/a	49	94.0%
<i>% of net sales</i>	<i>1.7%</i>	<i>n/a</i>	<i>4.9%</i>	<i>+240bp</i>
Interest and other, net	0	--	0	--
Effective tax rate	12.7%		15.3%	
Net income	15	353%	42	130%
EPS	0.10	400%	0.26	136%
Diluted shares outstanding	160.9		160.9	

Q2 FY14 Financial Results

(\$ in millions)

	GAAP	YOY	Non-GAAP	YOY
Net sales	532	-2.9%	532	-2.9%
Gross profit	183	-6.3%	192	-4.3%
<i>% of net sales</i>	<i>34.5%</i>	<i>-120bp</i>	<i>36.1%</i>	<i>-50bp</i>
Operating expenses	166	-3.3%	155	-5.4%
<i>% of net sales</i>	<i>31.2%</i>	<i>-20bp</i>	<i>29.1%</i>	<i>-80bp</i>
Operating income	17	-27.8%	37	1.0%
<i>% of net sales</i>	<i>3.2%</i>	<i>+120bp</i>	<i>7.0%</i>	<i>+30bp</i>
Interest and other, net	0		0	
Effective tax rate	17.5%		15.3%	
Net income	14	-73.6%	32	19.0%
EPS	0.09	-74.3%	0.20	17.6%
Diluted shares outstanding	161.2		161.2	

Q2 Regional Retail Sales

	Q2 FY14	
	Sales into Channel	Sell-Through
Americas	7%	4%
Asia*	0%	4%
EMEA*	-13%	-11%

*Asia sales into channel in local currency and EMEA sales into channel and sell-through provided in local currency

- 1H total retail sales into channel +1%, with Q2 retail sales -2% in USD and no impact from exchange rates
 - Overall Q2 retail ASP +8% given strategic shift to higher price point products in several categories including Audio-Wearables & Wireless, Remotes and Video

Retail Product Category Summary

1H FY14 Momentum in Growth Categories

	Q2 FY 14 YOY		1H FY 14 YOY	
	Net Sales	Net Quantity	Net Sales	Net Quantity
Tablet Accessories	3%	26%	48%	70%
Audio - Wearables & Wireless	34%	-35%	33%	-29%
Gaming	-11%	-1%	10%	6%
Pointing Devices	7%	3%	3%	2%
PC Keyboards/Desktops	8%	3%	6%	-1%
Video	-17%	-31%	-12%	-31%
Audio - PC	-13%	-17%	-14%	-20%
Remotes	-19%	-51%	-8%	-46%
Retail - Other	-61%	-59%	-76%	-73%
Total Retail Products	-2%	-4%	1%	-5%

Comments on Key Retail Categories

- Audio-Wearables & Wireless sales 1H +33% and Q2 +34%
 - Sales of mobile speakers more than doubled, with strong demand for UE Boom and UE Mobile Boombox
- Tablet Accessories sales 1H +48% and Q2 +3%
 - Launched new products in Q1 and held back from similar launch in Q2, awaiting launch of new iPad
- Gaming sales 1H +10% and Q2 -11%
 - Americas and Asia Pacific sales increased double-digits in Q2 with category decline due entirely to weakness in EMEA

Note: Comparison is YOY unless noted otherwise

Q2 Operating Expenses

- Q2 GAAP operating expenses of \$166M declined by 3%, or by 8% excluding restructuring from both periods
 - Restructuring charges of \$5M reflect headcount reductions in our LifeSize business
- Majority of Q2 G&A expense increase due to variable compensation costs related to company's improved 1H performance
- Q2 non-GAAP operating expenses of \$155M declined \$9M YOY
 - Non-GAAP operating expenses were 29.1% of sales, down by 80 basis points YOY, reflecting improved operating leverage

(\$ in millions)	Q2 FY14			
	GAAP	YOY	Non-GAAP	YOY
S&M <i>% of net sales</i>	94 17.6%	-15.2%	91 17.0%	-13.7%
R&D <i>% of net sales</i>	38 7.1%	-1.3%	36 6.8%	2.5%
G&A <i>% of net sales</i>	29 5.5%	13.1%	28 5.2%	20.0%
Restructuring charges	5		0	
Tot. operating expenses <i>% of net sales</i>	166 31.2%	-3.3% -20bp	155 29.1%	-5.4% -80bp

Key Balance Sheet Metrics

(\$ in millions)	September 30, 2013	September 30, 2012	YOY
Cash	\$295	\$237	24.4%
Accounts Receivable DSO	\$259 44 days	\$284 47 days	-9.0% -3 days
Inventory Inventory Turns	\$293 4.8	\$321 4.4	-8.9% +0.4 turns
Accounts Payable DPO	\$303 78 days	\$369 94 days	-17.8% - 16 days
Cash Conversion Cycle	41 days	35 days	+6 days
Cash Flow from Operations	\$15.5M	\$15.3M	1.1%

- First sequential decline in inventory in many years, with turns also improving
- Cash conversion cycle increased due to reduction in DPO, and partially offset by improvements related to inventory (7 days) and accounts receivable (3 days)
- Paid \$36M dividend in September 2013

FY 14 Outlook

	GAAP	Non-GAAP
Sales	~ \$2B	~\$2B
Operating Income	~ \$50M	~\$100M

- FY 14 GAAP operating income Outlook of ~\$50M includes year-to-date charges of ~\$13M related to restructuring that were not originally anticipated when we provided the Outlook in April 2013
 - Outlook based on the prudent assumption that the sales performance of our PC peripherals will not be sustainable in the face of a double-digit PC market decline.
- FY 14 Non-GAAP operating income Outlook of \$100M is an increase of \$13M compared to the previously expected non-GAAP operating income

Turnaround is on Track

- Better-than-expected sales and operating income in 1H FY 14, despite headwinds including
 - Ongoing decline in global PC market
 - Persisting weak market conditions in Europe
- Increased non-GAAP operating income outlook to ~\$100M for FY 14
- Making progress building a faster and more profitable Logitech
 - Continuing to optimize operating expenses
 - Driving profitability improvements as demonstrated by the increase in our Outlook for FY14 profitability
 - Improvements in time-to-market with key product launches soon to be visible

Appendices

Sell-through Data

- Measures sales of our products by retailer customers to consumers and by our distributor customers to their customers
- Compiled by Logitech from data supplied by our customers
- Customers supplying sell-through data vary by geographic region and from period to period, but typically represent a majority of our retail sales
- Data is subject to limitations and possible error sources and may not be an entirely accurate indicator of actual consumer demand for our products. Limitations and possible error sources include the following:
 - Data supplied by our customers may not be indicative of sell-through experienced by our customers as a whole
 - Reliability of the data depends on accuracy and timeliness of information supplied to us by our customers, and the processes by which they collect their sell-through data is largely outside our control
 - In the U.S., Canada, and to a lesser extent Asia Pacific, and a still lesser extent, EMEA, sell-through data is based on Point of Sale electronic data. Where POS data is not available, the data is collected largely through manual processes, including the exchange of spreadsheets or other non-automated methods of data transmission, which are subject to typical human errors, including errors in data entry, transmission and interpretation.

Channel Inventory Data

- Estimates the inventory levels of our products held by or in-transit to our retailer and distributor customers
- Includes data compiled by Logitech from data supplied by our customers, and our estimates of inventory in-transit to our customers
- Customers supplying data vary by geographic region and from period to period, but typically represent a majority of our retail sales
- Data and our estimates are subject to limitations and possible error sources and may not be an entirely accurate indicator of actual customer channel inventory
- Limitations and possible error sources include the following:
 - Data supplied by our customers may not be indicative of inventory held by our customers as a whole
 - Reliability of the data depends on accuracy and timeliness of information supplied to us by our customers, and the processes by which they collect their data is largely outside our control
 - In the U.S., Canada, and to a lesser extent Asia Pacific, and a still lesser extent, EMEA, data is based on Point of Sale electronic data. Where POS data is not available, the data is collected largely through manual processes, including the exchange of spreadsheets or other non-automated methods of data transmission, which are subject to typical human errors, including errors in data entry, transmission and interpretation.
 - Our interpretation of the data, and our estimates of in-transit inventory, may be subject to errors in assumptions, calculations or other errors

